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THE ARMED FORCES SUPPLY SUPPORT CENTER

Brigadier General Irvin L. Allen, USA

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Reviewed by: Colonel Thomas C. Keach, USAF

Date: 24 January 1961

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13 December 1960

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Reporter: Ralph W. Bennett

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Washington, D. C.

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ADM. PATRICK: General Mundy, Gentlemen: A little over two years ago the Department of Defense established the Armed Forces Supply Support Center. The purpose of this new agency was to provide for a more active coordination of some of the logistical functions of the military departments.

Our speaker this morning is the Deputy Director of that organization. He has served in this capacity since the Center was established several years ago. He has had a variety of responsible management jobs throughout his career, both here in the United States and overseas. I would like to say that he is one of our illustrious alumni, who graduated from here in the class of 1955.

It gives me a great deal of pleasure to present Brigadier General Irvin L. Allen. Gentlemen, General Allen.

GEN. ALLEN: Thank you, Admiral.

I felt quite flattered this morning. General Mundy advised me that he was going to cancel today's session; but he looked at his schedule and found that I was an alumnus and was going to make a talk, and he just couldn't afford to do it.

It is a pleasure to come back to the Industrial College and talk from the platform on which each of you at one time or another has an opportunity to practice your OP's.

I would like to discuss with you today the Armed Forces Supply

Center, some of the background of why we were established, its purpose and functions, a brief explanation of its organization, and a summary of our business and how we do it.

In October, 1957, Mr. Wilson, the Secretary of Defense, directed the Deputy Secretary to make a study to see what we had done to improve our materiel management in the Department of Defense, and what actions we could do in the future to try to further improve it. As a result of this they established a Logistics System Study Project. There were about four different phases of it. One of these was to include the steps that had been taken to date and the further steps that we could take.

(Slide 1) A quick listing of the things that have been done in the last ten or twelve years to improve materiel management would include programs such as these shown on this chart:

Single department procurement, in which one department buys for the others.

Plant cognizance, in which one department is charged with responsibility for inspection, watching the procurement contracts in a particular plant for all the other services.

The Federal Cataloging Program, about which I will speak in more detail later.

Defense Standardization Program, which I will also cover.

Public Law 216 of 1949, which is the one that prescribes financial as well as item management and inventories in the Department of Defense. It is the one that placed the Comptroller in such an important spot in our

organization.

Public Law 152 of 1949, which established GSA as the common supply service for Federal agencies.

Single managers, 1955-1956, for common commodity classes such as food, clothing, medical, and POL.

Then we have the Excess Screening Program, by which we screen items prior to their disposal to insure that they are utilized.

Interservice Supply Support Program, which is a voluntary program undertaken by the supply managers of the four military services, by which they exchange requirements and assets prior to the time that they become excess.

Last, the Defense Communications Agency, which is a new agency, becoming operational shortly, which combines an operational function along with certain materiel functions. They have a function of reviewing and coordinating research projects dealing with communications equipment which are going to be used by the various services. This is a combination that has not to date appeared on the scene.

The Logistics System Study Project came up with a number of recommendations. In this summary of the team report the Assistant Secretary recommended that an Armed Forces supply agency be established, which would take the following functions: cataloging, standardization, materiel utilization; and add another function which previously had not been performed by any single agency, and that was operational planning or analysis.

We have always had in each department, in each military service, a great deal of planning on things that should be done to improve operations; but there was no agency that looked horizontally across the four military services to determine the things that needed to be done to improve the materiel management across the four military services. That was the reason for this particular function being assigned to the Center.

The Armed Forces Supply Support Center was the name finally agreed to for the agency, and it was established in June and July of 1958.

(Chart 2)

These are the functions of the Center:

To administer the Federal Cataloging Program.

To administer the Defense Standardization Program.

To administer the Defense Materiel Utilization Program.

To conduct studies across the board on the operations of the supply systems to obtain optimum integration and economy.

(Chart 3)

This is the organization of the Center. It has its Council, the Chairman of which is the Deputy Assistant Secretary (S. and L.), Mr. Philip LeBoutillier, Jr. There's an Army member, Major General Floyd A. Hansen, Director of Supply Operations. The Navy member is Admiral J. W. Boundy, Chief of BUSANDA. The Marine Corps member is Major General C. R. Allen, the Quartermaster General of the Marine Corps. The Air Force member is General Senter, the Deputy to General

Bradley. Mr. Hangen, a former official of the J. C. Penney Company, and the Director of the Center, is also a member. There are alternate members, of which I am one.

We have four operating divisions, plus a Management Office and an Analysis Staff. The Cataloging Division is headed by Captain Darbin, a BUSANDA officer. The Standardization Division is headed by Colonel L. Wiley, an Ordnance officer from the Army. The Utilization Division is headed by Captain Donald Leathy, a Navy officer. The Data Processing and the Management Office are headed by civilians, and the Analysis Staff is headed by Colonel Joe DeLuca, an Air Force officer.

I'd like to discuss now one of the more important--the Federal Supply Cataloging Program. (Chart 4) It is one of the most important probably programs of the Center; and I think it is one of the tools of management which has made possible many of the improvements in our system which have occurred during the past ten or twelve years.

At the end of World War II, we had 17 different catalogs in existence in the Department of Defense. That was 17 different languages being spoken. In 1952, Congress directed the establishment of the Federal Cataloging Program by Public Law 436, which is now U. S. Code 10, Chapter 145.

(Chart 5)

This is what the law states that would be done:

That the Secretary of Defense would establish a catalog program.

That this system would name, describe, classify, and number recurrent use items in our supply system.

Additional data needed for management would be included.

That during the development of it we would maintain liaison with industry so that they knew what we were doing.

That the work would be delegated to the departments, and they would be a part of the system.

That time schedules would be established for the various phases of development of this system and the conversion of the items now in the system to the new system.

And, most important, that they would assure use of only one identification for one item in all supply functions.

And, last, that they would distribute the catalog data to all the users.

Now, this program was completed about three or four years ago. As of December, 1958, all the items in all the military establishments had been converted to the new numbers. At least, they reported that.

The single number and identification in use by all services has been an indispensable one in management, and certainly in interservice supply support. It is significant, for example, that no single manager was established prior to the time that the Federal Catalog System was introduced and the items had all been identified, so that people knew what was in the system. The existence of uniform item identification has carried us from the hand-to-mouth cross-support of World War II to the integrated materiel utilization system which I will describe in somewhat more detail later.

(Chart 6) In the development of this system there were many tools that had to be developed. We developed almost 23,000 approved names, and referenced these to some 36,000 colloquial names. Almost 12,000 description patterns, reference drawings, and about 8800 styles.

Now, in the Classification System the items are divided into 76 Federal Supply Groups and 556 Classes. All of these are numbered, under the overriding regulations contained in the Federal Manual Supply Catalog shown on this chart.

(Chart 7) It was mentioned in the law that additional data would be included in the system, and on this chart are some of the things that are in the Federal Catalog System for use of people who are using the system.

Manufacturers' Codes. There's a manufacturer's code assigned to each manufacturer's plant which furnishes items for the military services. Not only those in the United States, but we include many foreign countries in NATO. The plants located there have been assigned manufacturers' code numbers by our center.

We have over 6,500,000 manufacturers' part numbers in our central file. Against these part numbers are matched new items coming into the system, particularly in provisioning, where you are bringing in many new items, or at least ones that are new to the people who are provisioning them, but when they are sent in to the Center for the assignment of a number, and we match it against the manufacturers' part number file, we frequently find that some other service has already

cataloged that item in the system.

Supply Status Codes, which we introduced in the air program, which I'll mention later.

Standardization Status Codes. Whether the item is standard, limited standard, or non-standard.

We also reference; or the services are supposed to reference, each catalog item with the specification or standard against which it was bought. However, that has not been done by all of the agencies, and we have less than 300,000 items in our system today which are referenced specifically against specifications. We know that number is larger, and it probably should run 15 to 20 percent. We know we'll never have all the items in the system standard, but we certainly should have more than 10 percent.

Responsibility Codes. Who manages, uses it?

And, last, Freight Classification Codes. The traffic management agency considers that Classification Codes could be entered in the catalog system and be distributed through the same system which distributes the catalog numbers themselves. He has coded up to date about a million and a half items--1,400,000, and it's somewhat greater now; and these are being distributed directly to each agency which uses the item. It's a selective, tailored distribution.

(Chart 8) In this business a basic requirement is for speed, to compress the time cycles. We never have enough time to do all the things we should do. So we must speed up the assignment of Federal numbers, and we do that through automation. We have an Automatic Data Processing

System and a Data Transmission System in operation.

Our Data Processing System--an IBM 705-II--is probably the most efficiently used in the Department of Defense. There is almost 95 percent utilization. It is operated around the clock, seven days a week.

We are now, in fact, we just changed over to the 705-III last week, which is a faster machine, with greater memory capacity. It should permit us to do more than has been done in the past.

Our Data Transmission System is a first. This system, composed of a Frieden Flexowriter, a Frieden Teledata, and an AT&T Recorded Carrier, make up the system. It is connected over long-distance toll telephone lines, to 42 cataloging activities and 35 locations. Each installation processes requests for descriptive items and most of the changes over this Data Transmission System. It operates at a speed of about 3600 characters per minute. That's pretty slow. The agencies themselves have a need for the use of this system between agencies, particularly in the interservicing operations and securing for other people the information they need for their supply systems.

So we have asked industry to produce for us some faster machines, and IEM is producing a faster machine, which will be on the market in about July. It will permit speeds of about 9,000 characters a minute, which is very close to the maximum that you can transmit characters over normal telephone lines. This should help a great deal in providing flexibility and expansion for the military services themselves for their own use.

This rapid transmission system cuts about eight to ten days off of the cataloging cycle, because that's the mailing time previously used, packaging all the stuff and mailing it in to the Center and returning it by mail.

In this catalog system NATO and Australia have also adopted the Federal System; and we are an integral part of the NATO cataloging system. NATO uses a 13-digit number instead of the 11-digit number in the Federal Catalog System. Two extra digits were added after the first four numbers, the first two being the Federal Supply Group and the second being the Federal Supply Class; and then a FIIN, which is a seven-digit number. NATO adds a country code. The U.S. code is 00. I believe Germany is 11 and various other countries 12, 13, up to the total number in NATO.

(Chart 9) In any program as large as the Federal catalog conversion and identification, there would be certainly some errors which inevitably would creep in. Some items would have two numbers assigned to them, because of the fact that an agency had described it somewhat differently than another agency.

Recognizing this, about two years ago there was initiated in the military departments in DOD an Accelerated Item Reduction Program. This had about two or three objectives. First was to correct those errors which had crept into the system. Secondly was to better describe the items themselves. And third was, after this was done, to look them over to see which of these could be eliminated and dropped out of the system.

The complete steps are shown on this chart. Step 1 was a status coding. The status coding actually showed us who managed the item and in what capacity. And in doing that, we found out that many people had gotten off of an item three or four years ago, but hadn't notified us; therefore we could eliminate it from the Catalog System.

Step 1 has been completed, and we were able to eliminate approximately 175,000 items from the approximately 3 million 5 or 3 million 6 types of items in the file.

The second step, the catalog review, is now in its initial phases. It's about a third through. A million of them have passed through Step 2. About 3 percent of the items are being eliminated in this program.

The last step, step 3, an inventory review, has just started. In that the military services,--and their assignee is the reviewer of a particular segment of the class--their assignee looks at the items in that class and he decides that certain areas may have some potential for elimination or reduction. And after doing that, he makes up what is known as an Item Study Listing; and in doing that he lists them in such a way that the significant characteristics are listed one after another, so you can determine whether or not some of these items could be eliminated by the use of one in place of probably two or three. In the area of work to date about 35,000 items have been covered in the classes, of which about actually 5,000 were eliminated, which was about a 14 percent reduction of those items which were considered, of the 5,000 out of the 6,876, the 6,876 having been selected from the 34,000 for actual review.

Of the total items processed now, we have gotten about 6 percent reduction.

Now I'd like to talk about the Standardization Program. (Chart 10) It's another very important program. It was established by the same law that established the Federal Cataloging Program.

(Chart 11) The law states as shown on this chart, and I think you can read it: "In standardizing supplies the Secretary shall, to the highest degree practicable--

"1 Standardize items used throughout the Department of Defense by:

"Developing and using single specifications

"Eliminating overlapping and duplicate specifications

"Reducing the number of sizes and kinds of items that are generally similar

"2. Standardize the methods of packing, packaging, and preserving standardized items."

(Chart 12) This chart shows the organization of the Department of Defense for doing the standardization work. You will note that the basic tool for assigning classes of standardization is by the Federal Supply Classification classes, which were developed in the Federal Catalog System. And each of the Departments is assigned a certain number of classes, by which they are the standardization assignees. They review the class, develop the standardization plan for the work to be done in that class, and in turn these are delegated to certain agencies, either within their own department or another department, to do the work.

depending on the interest and the competence of the people involved.

(Chart 13) Now, in reviewing these standardization areas, there were about 165 or 166 classes that were considered to have very little standardization potential; and they were eliminated from consideration.

Actually to date there have been about 320 of the classes for which standardization plans have been developed. The current work load in DOD is about 5600 projects annually. Most of these projects result in the development and issuance ^{of} /specifications, standards, and handbooks.

One of the big problems that we have in the standardization area is the problem of drawings. It is estimated that the Department of Defense, all the agencies, own about 50 million drawings, which they have used in production contracts; and they are accumulating them at the rate of about 6 million a year.

Actually, it is estimated that the cost of these drawings runs to a billion and a half dollars a year, which is a very significant portion of our budget.

In addition to having a great number, there were a great many variations in the way in which drawings were prepared. The services themselves and industry had no standard way of making drawings. After about three years of work by the departments and industry, last year we came up with Mil Drawing Specification 70327, which was a standard drawing practices specification, for use by the military; and it has been adopted pretty much by industry too for their own work.

The next problem is, How do you get all of this engineering data

together in some way in which people can find out what has been done by other people, particularly in the research area? Certainly there are things being developed today by one agency that would not be developed if they knew that someone else had already developed it. How do you get this engineering data in such a form that you can collate it, catalog it, and distribute it to the users?

We have a project now--it's under the cognizance of the Ordnance Corps--for the development of a system by which we can exchange data, either by tape or some way. Standardization in microfilming, which has been completed partially, will help a great deal in this.

Technical manuals have been a problem. Many industry associations have complained for the last five or six or seven years that each service, and sometimes ^{even} agencies within that service, have different ways of asking a technical manual to be prepared--different sizes, different papers, different printing, different illustrations, as a result of which we started a project early this spring to determine some way of developing standards for technical manuals.

We found, for instance, in the study that there were 230 basic, plus 137 detailed documents now being used within DOD to cover the preparation of technical manuals.

Ground support for weapons systems. With the number of different types of missiles being developed by the Military Establishment, each one has developed his own ground support equipment. Many of these are very similar, but they are different. But we have a very active

project in attempting to come up with at least a common standard for ground support equipment.

Single index of standards and specifications. There are some 28,000 specifications and standards being used in the Department of Defense and GSA today. There has not been a single index. Consequently, although each department had a limited index themselves, people had no way to cross-reference and look up to see whether a specification had been developed in a particular area.

As you know, a specification is very simply just a procurement document. It lists what the item is, what it is supposed to do, and what kind of tests you should make to determine that its performance is up to what it's supposed to do.

I mentioned the standardization references in our Catalog System. This also is important, and we are trying to improve this.

Industry prepares a lot of industry standards. So we should certainly use these if they are at all able to be adapted to our use. Recently we were able to get the agreement of the military services and industry to a standard way of coordinating industry's documents, so we can use those which are suitable for use.

One of the biggest problems, of course, is reliability. And if any of you have been in the missile field or electronics field, you have attended probably the symposiums that have been held every three or four months on the problems in reliability. It hasn't been licked. But certainly a lot more can be done in the way of reliability than has been done in the past.

The Darnell Study, which was a group of people of industry and the military, developed some at least illustrative facts, which gave a different type of reliability standards and suggested that there was a need for a collection of reliability data from the time of initial production of electronics equipment to its eventual disposal. In other words, it was a continuous process of getting test data and reliability data in the electronics area. It's very important, but one which is going to cause us many problems before it's ever licked.

I'll drop standardization and go to Materiel Utilization--the next program in the center. Material utilization really consists of two different types of programs. One is the Excess Screening Program, and the other is the Interservice Program. (Chart 14)

(Chart 14) This chart shows you the historical development of the two programs. On the left is the Excess Screening Program. After a department itself has determined that an item is no longer needed by it, it is screened by the other Department of Defense agencies and by Federal and civilian agencies, to determine if it can be used before it's reported by ^{the} property disposal officers for sale.

On the right is the Interservice Supply Support Program organization, which was developed and started in 1955, and finally was transferred to the Center in 1958.

We have actually three different types of organizations: A CCG, which is a Commodity Coordination Group, consisting of representatives of the inventory control points of the services; and Area Coordination

Group, which is a territorial organization, very similar with or conforming with the boundaries of the Army areas of the Army, but it also includes the Navy and Marine Corps and Air Forces in those particular areas; and the Overseas Unified Commands and Specified Commands.

(Chart 15) This shows you the two different methods of screening that are in use today--low value and high value. When an item is determined to be excess in a department, if its value is \$3000 or less, and it's a line item, it has low-value treatment. It's sent to GSA regional office, and there it is a joint 60-day civilian and military screening, with a 15-day donation period, in which items are offered to the Boy Scouts or some of those other things, like Department of Health, Education, and Welfare agencies, which get it free of charge. Actually all of this exchange here is non-reimbursable, even stock fund items.

On the right is the high-value treatment, in which the SF 120's are made out, sent in to the Center, reproduced, and printed, sent to GSA, and also many other agencies. There are about four hundred fifty or five hundred different agencies which get this list. It's a 90-day screening period, of which the first 30 days are ^{the priority of} the military, and then it's disposed of.

(Chart 16) There are some problems in interservice, and I have listed them on this chart. The first one is the problem of research by an agency to determine whether an item which is excess in another service can meet the technical or engineering requirements of his own service.

The second problem is the ADPS and our systems incompatibility.

It is hard to get information from one system to another in such form that they can understand it.

Then the third is financial problems--problems of reimbursement, apportionment, getting the funds back to the agency which was losing the item.

And I think, last, and probably in some respects the most important, is motivation, or lack of it. Many people like to buy the item new rather than get it from somebody else in even a new or used condition, even though it has been in storage. So it's pretty hard sometimes to convince people that they should take something that has already been bought by another service and use it for themselves.

(Chart 17) The last function which I will mention is that which is dealing with the operational analysis. The Analysis Staff is composed of 15 people. Its chief is Colonel De Luca, an Air Force officer. It has a Navy captain, a Navy commander, a Marine full colonel, two Army lieutenant colonels, and two Air Force lieutenant colonels. It has seven GS 15's or 14's, all of whom work^{ed} for the military departments prior to their moving to the Center.

The keystones of the Analysis Staff's studies are quality and objectivity. Their recommendations must be founded on complete research, complete knowledge of the subject, and a full realization of the impact of their recommendations on the logistic systems of the military services.

The Analysis Staff has completed a number of studies. One last year led to the withdrawal of the single manager assignment to the Air Force

which was made about three or four years ago but never implemented. The study of the Management of Selected General Supplies led to the establishment of the two new single managers in the Army--General Supplies--and Industrial Supplies in the Navy.

In this study there were several things which were found which I think it is important for you gentlemen to at least have an opportunity to discuss or for me to discuss with you. (Chart 18)

In these military departments they manage an immense range of items. The Army has almost 900,000 items in its supply system; the Air Force has about 1,900,000; the Navy has 1,200,000; the Marine Corps about 300,000.

The fundamental problem in all the military services is how to divide this item range into manageable segments. The two basic management alignments are shown on this chart. You either do it by commodity, where you assign an entire commodity area to one inventory control point for management; or you do it by a program/mission/weapon system relationship; or a combination of them. So the items are directly related to either a program or a mission or a weapon system, without regard to the commodity or FSC.

However, there is a point to remember. Because of this, you can't grab a complete Federal supply class for consolidated management without item examination. (Chart 19) The Federal Supply Classification System is a logical, systematic grouping of items classified on the basis of item characteristics. It was designed to facilitate supply management,

not to dictate.

The materiel management of each or all items within a class is another consideration, and requires an item-by-item examination.

Now, taking the first course, the FSC assignments to inventory control points certainly are not the same within each service, and the fact that you can't grab a complete class for consolidated management, you have to devise some system by which you can determine a method of management of items in these areas.

In this next chart (Chart 20) it outlines a system by which consolidated management can be effected in the item range we're talking about.

The items group themselves under this in about three different categories; those which I as an inventory manager must maintain myself, must manage, must buy all the way from research and engineering to eventual disposal. These items are engineering essentials and the operational essentials.

The second type of items are those which I as an inventory manager do not necessarily have to manage, but we should retain the management within the Department of Defense. That's the B Type item, we call it.

The third type of item is commercial common items which you can buy off the shelf in local procurement or from GSA.

Now, this system has been adopted by the military departments. It is being used today as the basis for the assignment of items to the General Supply, the single managers in Richmond, and the industrial supplies single manager in Philadelphia.

It was also used for a fixed study of the construction and automotive supply area which resulted in approval of two new single managers in these areas last spring.

(Chart 21) This chart shows you the status today of the commodity single manager assignments. The four which were designated in 1955 and 1956 is an inventory of 2 1/2 billion, sales of 2.2 billion, and about 45,000 items.

There are four others that are in the process of organization. They are now determining really the items that they are going to manage and which will be retained in the services and which go to local procurement. But these four--the items in it are subject to item management coding--but the classes there involve about 3.2 billion in inventory, about 1.1 in sales, and 1,165,000 items.

So that you have in being or in process now a single manager assignment which, when spelled out, will have a total range of about 1,200,000 of our items that will be subject to this coding exercise to the determine type of consolidated management that they will have.

(Chart 22) We were directed last year to make a study in the electrical and electronics area. The GAO made a study^{that} came out, if I remember, in November or December of last year, in which they recommended consolidated management, but didn't go into the details as to how it was to be accomplished, or what the range would be. The Analysis Staff started on their research about the first of February, and we are still working on the report.

In this area there are 900,000 items, with an inventory that we can

identify of somewhere between 3.5 and 4 billion dollars. Procurement 3.2--maybe 3--billion. Sales 1.2 billion.

(Chart 23) In the General Supply Study there was another finding that I think is important to all of us, and that was that there was a need in the development of these single managers for a uniform method of doing business where uniformity will pay us any dividends, particularly in requisitioning, financial accounting, billing, crediting, inventory, transaction reporting, and what have you. We recommended in the General Supply Study that the Chief of BUSANDA and the Quartermaster General be charged with the responsibility of developing this system, because they at that time had the only single managers in existence. They were the two operating agencies and announced the opinion--the two operating agencies themselves--that they could better develop this system, because it would be a give-and-take proposition, and could implement it without having to go through this excess formal coordination period that exists in DCD today.

However, the departments felt that it would be better done by a group of people at department level. Consequently, they organized what was known as the Single Manager Systems Design Project, which was broken down into four sub-groups; and this was the general objective as shown on this chart.

The four groups have been working since last February. They consisted of some 35 or 40 people. The first one was to determine or recommend a depot distribution system; the second, to find some uniform ways

of doing business at the post, camp, and station level; third, from the inventrol control point level; and the fourth group were to try to find a common denominator in the financial operation area.

Looking back and recognizing the problems being created in our depot system and for the consumers, I believe that this project should have been developed and completed prior to implementing the four new single managers. I am somewhat doubtful that the efforts of the ad hoc groups will result in a truly integrated or simple uniform system.

(Chart 24) Where do we go from here?

The additional workload in creating these four new single managers is very substantial. Item management coding alone is an enormous workload. Changes in cataloging and standardization responsibility will have a significant impact. Accordingly, I hope that the services will have at least sort of a rest period for some time to permit the operations to catch up with the major policy changes.

The increase in the number of single managers, with the changes in logistics responsibility of one-fifth to one-fourth of the entire range of items, will throw our logistic systems into chaos unless it's done with a strong hand at the rudder, but be sure that nothing untoward happens.

I certainly hope that the military can keep control of the single managers. One way to at least assist in that would be for the Joint Chiefs of Staff to take a more active role and a more active interest not only in single managers, but the whole materiel area. They certainly should take a more active interest in single manager policies and

single manager management.

I believe the Executive Directors will be given additional responsibilities. We are just now in the process of giving them standardization assignee responsibility for the classes that they are going to manage. I believe that some form of front-end coordination or screening on new items to be added in these areas must be added somewhere. Increased participation by single manager activities in standardization, provision, cataloging, and even R&E seems probable to me.

Personally, I believe that the congressional and public pressure for further integration will not permit the preservation of the status quo. I think the trend line for further integration, whether it is single managers or some other form of integrated management, will continue. The Symington Study is an example of this.

The military departments have been the forerunners in the development and use of advanced management techniques, both in organizations and in methods. We should never be apologetic about it. If one looks at the newspapers and sees some of the bankruptcies and closing-out sales, you will realize that we are not the only ones that make mistakes. Ours get the headlines; theirs only the stockholders know about.

However, we are in an evolutionary period. Continued pressure, some by informed people, some by uninformed, makes it essential that we continually look at the ways we are doing business with an effort to improve them.

I have given you in this thirty or forty minutes a brief resumé!

of the Center, why it was established, something about organization, something of the programs, the business we are in. I think this Center has been responsive to the services, we are a part of it, and I hope that we can continue to help them improve our overall Department of Defense materiel management.

Thank you.

MR. HENKEL: Gentlemen, we are now ready for the questions.

QUESTION: General, you have indicated that we have gone through quite an evolution in these last few years which has been changing our supply structure, particularly in the area of integrating, or to some extent centralizing, rather. I am real curious as to your forecast as to what might happen in the event of an international conflict where we had not had a chance to try out some of these new methods under actual fire.

GEN. ALLEN: Well, about eighteen months ago, if I remember, there was a group gathered together under the auspices of the Department of Defense composed of representatives of JCS and all the military services to assess the war readiness or the capability of single managers and these integrated systems to provide support. As a result of which the study indicated that they gave as effect^{ive} support as the systems in existence prior to that time. I was on the panel, along with representatives of the Marine Corps, Army, Navy, and Air Force, that reviewed the report prior to the time that it came out; and all of the members--and they were all military members--were in complete agree-

ment that on the basis of the test which was in Lebanon and a couple of the small crises at that time, we felt they would be as responsive and as effective as the systems we have today.

In some respects I think it should give better service, because you do at least, with a wider range of customers, have at least an opportunity to get a little bit better requirements information, certainly more demand information, and can respond as quickly, in my opinion, as we could in the separate agencies before.

The fact that we will fight wars in the future pretty much as integrated and unified forces indicates to my mind to some extent that an integrated, unified system should be as responsive. You have to remember that today the Chief of Staff of the Army or Navy or the Chief of Naval Operations or the Commandant of the Marine Corps cannot order a single shot fired in anger. The Chief of Staff of the Army does not command the Army. Neither does the Chief of Naval Operations command the Navy. They are now commanded by unified or specified commanders who are responsible through the JCS to the Secretary of Defense. Our only responsibility in the Department today is for logistics service. So to my mind some type of integrated logistics support in the common areas in which it will pay dividends can provide as effective support as it was before.

QUESTION: General, don't you think that you will eventually reach the law of diminishing returns, with increasing numbers of single managers, where they are becoming more and more complicated so that their

customers won't know who to go to for what?

GEN. ALLEN: You put your finger on what is one of the problems in this whole area. We have four operational single managers today-- actually about three and a half, because the POL single manager doesn't own any stock. He's really a purchasing agency and to some extent a transportation agency. And they were very simple commodities. They were easy, because we had had a marketing center a long time, clothing and textiles are not too complicated, and medical is not too complicated.

The next two-- general supplies and industrial supplies--are a little bit more complex. When you ^{get} into automotive and inspection, it gets more complex. We are now in the study of what is probably the most complex parts of the supply system of the Department of Defense-- the electronics-electrical area.

The problems of trying to get these systems compressed, because as each service now deals with its own supply system, now we impose four or five or six or seven or eight more, there are different ways of doing business in each one of them.

That's why I feel that this Single Manager System Design Project is so awfully important. And unless we make this thing work, I don't think we should have any more single managers. I think we've got too many of them unless we can solve some of these problems from the consumer standpoint, from the depot standpoint--the post, camp, and station supply officer and the unit supply officer in a depot which has

in it supplies of four or five or six or seven single managers, all of whom are prescribing different ways of inventorying, reporting, crediting, billing, shipping, different types of forms and all that stuff. It's a big problem; and I hope we can do something about it. But I think, if we don't solve these things, we have reached the law of diminishing returns already.

QUESTION: General, would you address yourself to the question of increased vulnerability to attack?

GEN. ALLEN: Well, vulnerability means so many different things to different people. I think as you go over to the Pentagon and go to the people in the vulner^{able,}, you get seventeen different answers providing you change one factor in your assumption. So I don't know that it's any more vulnerable or any less vulnerable than any of the systems we had before. I can't answer, because I'm not too sure where the target areas will be, whether they will be two million megaton bombs or two megaton bombs or where.

My personal feeling is that if your single manager systems are handled the way we have handled them in the past, and if this stock is distributed in the way it's been distributed in the past, they should be no more vulner^{able,} and probably ^{no} less vulnerable. But it's purely an opinion.

QUESTION: The Government Accounting Office, in its review of the electronics field, made a recommendation that there be centralized control; and also that the research and engineering phase of it come under

this control. In your talk you alluded to the fact that we may get into this. This to me seems a little out of place for the supply and logistics study to be able to dictate to the operational group what items should be brought into the inventory. Would you comment on this?

GEN. ALLEN: Well, this will only be an opinion. I agree with you. I don't think that any time the supply and logistics people should be able to dictate what items will come into the system.

However, I do feel that they should have an influence, because if you already have, for instance, in stock items which are very close to being as good as some being proposed, there's a serious question of whether you want to bring in something with merely a marginal improvement.

I don't believe that the supply people should be able to control research and engineering. I do feel that they should participate, certainly more than they have in the past. And I think that the logistics people certainly have something that is useful and some advice and counsel that the R & E people could use at times very profitably.

QUESTION: General, you mentioned four different projects under the Single Manager Design Project System Study Group, including financial, supply procedures. They have been meeting since January and February of this year, an entire year, 35 people. From what little I know about this, I think the ^{Army, Navy, Air Force systems} ~~systems~~ are highly incompatible in each ^{groups} area, and that nothing could be arrived at by ~~these/~~ other than some sort of compromise. Obviously, they're having their problems or

they would have reported earlier. Would you forecast that you think that the results of these four groups will be successful or not successful? What do you think is coming out of it?

GEN. ALLEN: Well, I could only tell you what I know about the results of the studies as of last week.

I believe they are coming up with a single/requisitioning form, a BAM card. I understand that the services are pretty much agreed to this.

The Army and the Air Force intend to put this into effect completely across the Army-Air Force system; in other words, not only for single manager stock, but applicable to all other things.

They are adopting a JSC ^{priority} system which was approved about two years ago, but never implemented uniformly. There is still some question as to exactly how they are going to implement it.

Those two things to date are the only significant accomplishments that I know of. The depot team is stalled, I understand. The financial team hasn't got off the ground yet. The inventory control point team, which is going to attempt to develop uniform methods on possibly transactions reporting, inventory and stock problems, requirements computation, I have not seen their report yet. I am quite doubtful.

The problem you bring ^{up, of} the fact that we do have in existence a number of different systems, and if you attempt to integrate a common system, you are going to have to change to a great extent the existing system, is a very real one. Frankly, I think we made a mistake in

dividing it into four separate teams. Secondly, I believe that they should engineer a system completely across the board. And I believe, frankly, that we are going to have to do it sometime. I think they're going to have to find new systems, even though they're not managed by the same people. But I think we have got to engineer a supply system across DOD where people can talk, communicate, and get supplies in a common way. If we are going to fight battles on an integrated basis, we certainly ought to be able to get supplies to some extent in a common way, not necessarily from the same source.

QUESTION: General, is there any parallel industry which has centralized its procurement operations? For example, does a diversified industry like General Dynamics have a single procurement agent for electric boats, in contrast to Stromberg-Carlson?

GEN. ALLEN: Frankly, I don't know about those two that you mentioned. We do. It varies both ways. You have highly centralized procurement in some industrial organizations. You have decentralized in others. There is in many a limit by which everything is bought below locally and everything above centrally.

Most all of them have at least procurement policy documents by which all procurement is at least controlled policywise, if not operationally. But it varies across the board. There are just as many different ways of doing procurement in industry as there are in the military services.

QUESTION: General, has the electronics-electrical study progressed

to the point where you might give us some indication of what we might expect from the study?

GEN. ALLEN: I can't give you any forecast of what the answer is going to be from that study. I can tell you that we have had many problems, that there are many agencies in the electronic area that we didn't even know were there when they first started the study.

As a matter of fact, Colonel De Luco, when he was originally setting up his schedule for field visits, was going to complete them about the last of August or the first of September. But the farther he went into the area, the more agencies he found who were supposed to be doing certain things, and without a knowledge of what they were doing, he was unable to determine what actions should be taken. As a consequence, we added some twelve or fifteen different agencies, most of them at the DOD or joint level, the last of which we visited, I believe, last week. So ^{the} answers they are coming up with I don't know yet. Maybe he knows, but he hasn't told me.

QUESTION: General, you referred in passing to the DOD Communications Agency. Do you feel that this agency, when it gets started, will give the required support to the services in the way of flexibility of communications?

GEN. ALLEN: Well, I'm not an expert in this field. I have read some of the studies that were made at the time they were organizing it. But I don't feel that I am really qualified to say.

On the basis of what I understand they're going to do, the operation

of the communications, the fixed communication lines, the long lines, is still going to be under the control of the military services themselves; but the DCA itself is a fairly small organization, and it's an overall agency that is going to direct the other people as to how they will run it, I presume. I don't know, frankly. The proponents of it say it will.

QUESTION: Speaking of your comments in regard to an integrated supply system, and from the point of view of uniformity in implementing policy and administration, what would you consider to be the advantage of continuing the assignment of single managers to the military departments? Not just because it is customary to have them in the military departments? Your idea is to get wider diversion cycles?

CEN. ALLEN: Well, I think to some extent you're right. However, let's just consider what would happen if you attempted to pull them out of the Department. Won't you have more problems created than you are solving by so doing? Think of the statutory regulations on procurement alone that you would have to solve if you had to take it out, your organization problems, your recruiting problems, your personnel problems, your rotation problems. There are so many advantages to taking an existing organization and integrating a single manager in it, as opposed to the creation of some other form of organization of which it would be a part.

I will admit that each of the single managers has been created as a low image of his own tech service, his own corps, a bureau in the Navy, and his department. But as the executive directors themselves began to recognize the fact that they are no longer a supplier only of that military department, but now they are responsible for the supply of these items across the board, for all other departments, I think you will find that to some extent they are going to be a lot more responsible in ways of doing business than possibly they have been in the past. There are problems, though, in attempting to get a uniform system, as I just outlined in this Single Managers System Design Project. And I'm not so sure that we'll solve all of them in my time.

QUESTION: What have been the roles of J-4 and JCS in these reorganizations? Have they been actively in the middle of it, or have they been mostly interested bystanders?

GEN. ALLEN: I would say, an interested bystander. Let's just remember what the role of the JCS is in the DOD and how they operate.

The Joint Staff itself undertakes no study unless they are asked by a unified or specified command or by a member of the Joint Chiefs of Staff. What I mean by that, one of the departments.

Since they have many problems anyway, as far as I know, no one has asked them to make a study on the relationship of the single manager system toward the type of logistic support ^{which} the unified or specified commanders need in wartime.

So I can only say that from my observation, they have been mostly an interested bystander, although they did participate in two studies which had some bearing on the single managers. They had one member on the war readiness study that I mentioned earlier; and I believe that they had one member who is in one of the defense materiel improvement projects. There was a project for the possibilities for the extension of the single managers overseas, particularly to Hawaii. And I believe they had one member from JCS who was the chairman of that group.

The last I heard, about two weeks ago, the team had not made a report to date, because of--I don't know whether they could agree on a report. I haven't been able to finalize it and haven't been able to write it. But those are the only two studies I know of in which the JCS participated in which single managers were involved.

QUESTION: General, last spring the General Services Administration decided that they could provide things to the Department of Defense better than the Navy's industrial single manager at Andrews, and likewise better than the Army's single manager at Richmond. Do you mind telling us how that came out, and give us the position of each in its involvement with GSA in supplying the military services?

GEN. ALLEN: I'm afraid I can't, because they are still negotiating and having conferences, the last one of which was no later than Thursday last week. And I haven't even had an opportunity to find out the results of that thing. That was on the hand tool area and some of the general cargo, general supplies, with Richmond; and I think that

DOD and GSA and the others met and discussed that at great length Thursday, but I don't believe there were any decisions made.

On paints, I think they are furnishing some of them, but I'm not too sure. And the whole policy on exactly where we go on GSA is still slightly unsettled.

I think the GSA does have a definite role in the furnishing of some of the common supplies; and I think that we could probably use them better than we have in the past, because each department, each agency, has had a pretty much uncoordinated approach to how they would use GSA. In one area the Air Force would be buying from GSA and the other departments be buying themselves; and it would be reversed in the next area. At least some uniformity would prevent some questions being asked.

QUESTION: General, unless I dropped a digit somewhere, in some few years you've got some 40,000 items under single managers here. Now we're biting off over a million all in one bite. Is this rather fast, and how long do you think it will be before they will accomplish it?

GEN. ALLEN: Well, the schedule on the implementation of general supplies and industrial supplies originally was supposed to be by, I think, the end of next fiscal year--no; it was 30 June '62, if I remember rightly. My guess on construction and automotive--automotive may be able to move more quickly than construction, because they actually only are getting a package of about 20/percent more than they have been managing prior to the assignment of this area to them.

I would say that construction will be two to three years before they

are fully operational. I think it will be three years before you see the effects of these. There's a lot of work to be done, an enormous lot. And even on general supplies, for instance, on initial coding, they were giving them only a minimum amount of information about the items that were being transferred or being suggested to be transferred to them.

So after they get the minimum item coding information, ^{red} if /any questions come up, they have to go back and get the technical backup data and the information with regard to issues and demand volume--all that information. So it's going to take a long time to collect in one place all the information necessary for these people to do an effective job of management.

QUESTION: It has been my observation that we have been getting a lot of extra drawings in connection with our procurement. Is there anything being done to cut down the number of drawings?

GEN. ALLEN: There was a study made by a group headed by Mr. Bannerman, in Procurement Policy in OSD, about four or five months ago, which was participated in by the three departments, in which that recommendation was made---that we were buying too many drawings and getting drawings on things that we really didn't need. And a very definite drive has been put on in the last six months to insure that the people only bought the drawings that they really need for reprourement or maintenance or redesign--things of that nature.

I think you're right. I think we've bought drawings, and not only drawings that we didn't need, but I think we have bought excessive numbers

of drawings, or copies of the same ones. But it's a hard one to lick; no question about that.

QUESTION: General, I'd like to get a little better feel, if I can, about some of these things. For instance, in the field of cataloging and standardization, what are the types of people that are actually doing this work? Are they military? Are they civilian? Are they contract people? How are they organized? Can you give me some idea of the numbers that might be involved in the cataloging cycle and the standardization process?

GEN. ALLEN: In the Department of Defense?

QUESTION: Yes.

GEN. ALLEN: Let's take standardization. That's the simplest. We have 32 people, which includes the clerks and stenographers, of whom about 18 or 19 are engineers, professional engineers, both mechanical, electrical, and electronic.

In the departments there is nobody that is really tagged, except quarters in the department head, as standardization people. There is a headquarters standardization office in the Navy, the Air Force, and the Army; and I don't believe in those there are many more than maybe five or six or seven people. They are really just administrators.

In the agencies themselves that do the standardization work, these people are nominally engineers and are normally in research and engineering, and they do standardization as a by-product, part-time job. So they are projects that are farmed out, and they do them in their spare

time--not spare time necessarily, but part time. We don't have people working on standardization solely almost except at the department headquarters level and at the Center level.

As far as to whether they are civilian or military, I have one officer in my Standardization Division. In the Navy I believe that/the Chief of Naval Materials Office there are about three officers and three or four civilians. It varies across the board. I would say, though, that 80 to 90 percent of the standardization work is done by civilians.

In cataloging, we have in the Cataloging Division itself, Data Processing has about 110 catalogers, or I would say, about 150. And there is one officer in cataloging, and none in data processing.

In the departments I would say that there are probably 5 percent and most of it is military and at least 95 percent civilian. Part of it is done by contract.

You see, in the original cataloging operation, in buying new items, many of these are included and the identification necessary to get it in is done under the procurement contract itself to buy the item. So much of that is contracted. There have been some contract work done on certain phases of the cataloging in some agencies, but I don't get a record of what is done.

MR. HENKEL: General Allen, you have given us an excellent coverage of the Armed Forces Supply Support Center. Thank you very much.